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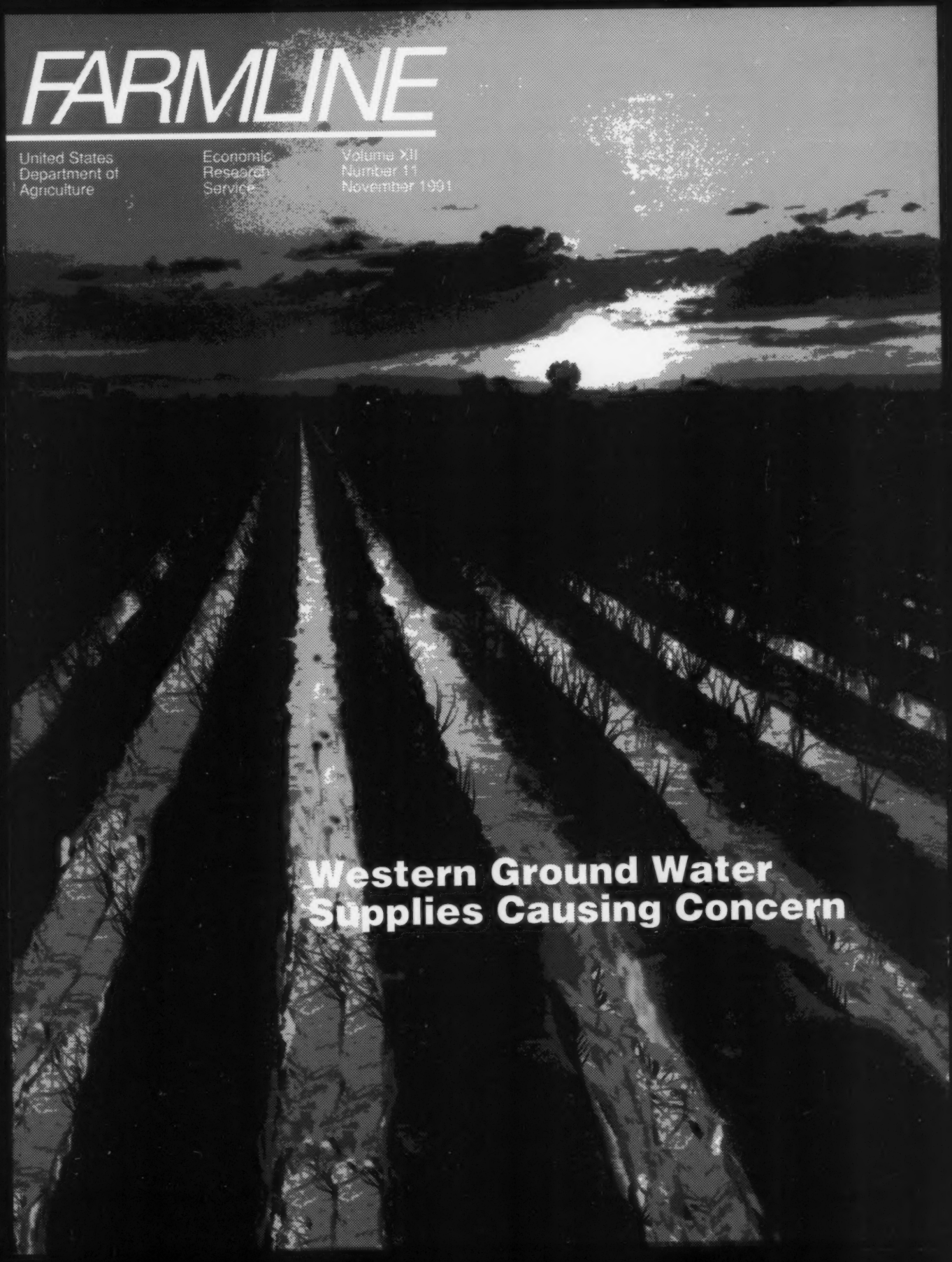

Western Ground Water Supplies Causing Concern

Editor
Priscilla B. Glynn

Staff Writers
Mary Maher
Doug Martinez
Carol Lee Morgan

Editorial Assistant
Martha Evans

Art Director
Barbara Allen

(202) 219-0494

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PERSPECTIVES

Corn and wheat production will be down substantially for 1991, grain sorghum down slightly, soybeans up slightly, and cotton and peanuts up sharply, according to USDA's October 10 crop production report.

Hot, dry weather trimmed corn and sorghum production in some areas. The corn crop was late in the western Corn Belt, which further reduced yields. "Weather varied considerably across the country," explains statistician Bill Dowdy of the National Agricultural Statistics Service. "Many areas enjoyed good weather, and many others did not."

U.S. production of corn for grain is forecast to drop to 7.48 billion bushels, down 6 percent from last year's total of 7.93 billion. The average yield per acre is forecast at 108.8 bushels, down 9.7 bushels from 1990.

Overall wheat production is expected to drop 28 percent from last year's 2.74 billion bushels to 1.98 billion. Harvested area will likely total 57.7 million acres, off 17 percent from 1990. Yields are expected to average 34.3 bushels per acre, down 5.2 bushels from last season.

Production of sorghum for grain is expected to decline to 567 million bushels in 1991, 1 percent below last year's total of 571 million. Yields are forecast to average 58.2 bushels per acre, down 4.7 bushels from a year earlier.

Soybean production is expected to total 1.934 billion bushels this year, up a fraction from the 1990 total of 1.926 billion. Yields are estimated to average 33.0 bushels per acre, down 1.1 bushels from last year.

"**Despite adverse weather** early on, yields are considerably better than previously expected in major producing States," Dowdy says. "Most of the Corn Belt received timely rains in August and September, and the western part escaped significant frost damage."

Peanut production is forecast to reach a record-breaking 4.94 billion pounds, up a whopping 37 percent from 1990's drought-reduced crop. (The previous record of 4.41 billion pounds was set in 1984.) Harvested area is estimated at 1.96 million acres, up 9 percent from last year. Yields are forecast to average 2,513 pounds per acre, up 522 pounds from the previous year.

Cotton producers are also expecting a bumper crop, with production forecast to reach 17.6 million bales, up 14 percent from 1990. This will be the biggest crop since 1937, when production climbed to 18.9 million bales. Increased harvested area— totaling 13.4 million acres and up 15 percent from 1990—is responsible for the gain.

Rice production is forecast at 158 million hundredweight, 2 percent above both 1990 and 1989. Yields are expected to average 5,571 pounds per acre, up 64 pounds from last year.

— Priscilla B. Glynn

FARMLINE

AGRICULTURE...NATURAL RESOURCES...RURAL DEVELOPMENT
Practical economic intelligence from USDA's Economic Research Service

FEATURES

Western Ground Water Supplies Causing Concern *by Priscilla B. Glynn* 4

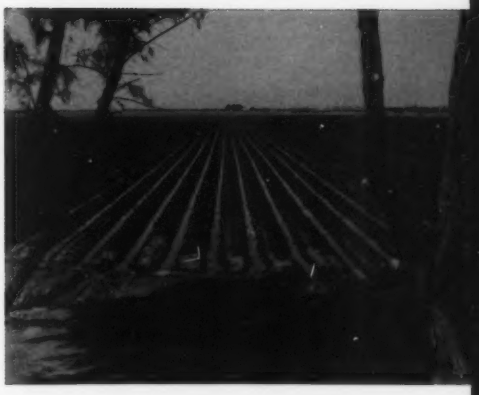
Prolonged periods of dry weather in the West have effectively cut available surface water supplies and led to increased demands on that other vast store, ground water. Some States are trying to preserve ground water supplies by giving producers technical assistance in improving water management and incentives to adopt conserving technologies.

Japanese Seeking Market Niches in U.S. and At Home *by Doug Martinez* 8

Japan's investment in the U.S. agribusiness sector is modest, although some Japanese food processing firms would like to increase their participation. To be competitive, Japanese food companies operating in this country must have a clear idea of what satisfies their customers here and back home.

U.S. Cotton Has Made a Comeback *by Carol Lee Morgan* 12

The resurgence in the popularity of cotton apparel boosted growers' receipts to a record-breaking $5 billion in 1990. The 1991 crop is expected to be the largest in more than 50 years. USDA analysts project a favorable long-term outlook for this crop.

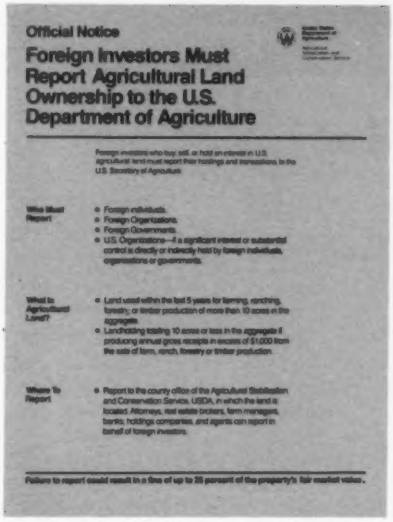


DEPARTMENTS

Agricultural Roundup: Foreign Ownership of U.S. Farmland 14

Farmline Trends: Farm Cash Receipts 11

Monthly Price Monitor 17



Official Notice

Foreign Investors Must Report Agricultural Land Ownership to the U.S. Department of Agriculture

Foreign investors who buy, sell, or hold an interest in U.S. agricultural land must report their holdings and transactions to the U.S. Secretary of Agriculture.

Who Must Report
- Foreign individuals.
- Foreign Organizations.
- Foreign Governments.
- U.S. Organizations—if a significant interest or substantial control is directly or indirectly held by foreign individuals, organizations or governments.

What Is Agricultural Land?
- Land used within the last 5 years for farming, ranching, forestry, or timber production of more than 10 acres in the aggregate.
- Landholding totalling 10 acres or less in the aggregate if producing annual gross receipts in excess of $1,000 from the sale of farm, ranch, forestry or timber production.

Where To Report
- Report to the county office of the Agricultural Stabilization and Conservation Service, USDA, in which the land is located. Attorneys, real estate brokers, farm managers, banks, holdings companies, and agents can report in behalf of foreign investors.

Failure to report could result in a fine of up to 25 percent of the property's fair market value.

Western Ground Water Supplies Causing Concern

Great quantities of water flow in rivers and lakes across the North American continent. But beneath the surface lies another vast store of water, saturating the ground and filling the spaces in the rock beneath.

Along with precipitation and surface water, *ground water* serves as a source for wells and springs, providing farmers in many parts of the Nation with the moisture they need to grow crops. This article, the second of two parts, discusses the use of ground water by agricultural interests, particularly in the West, and how that use may change in the face of persistent drought in much of the region.

"Ground water supplies about 58 percent of U.S. irrigated acreage, and also serves as the main water source for rural domestic and livestock supplies nationwide," explain economists Noel Gollehon and Marcel Aillery of USDA's Economic Research Service. The economists point out that although the amount of ground water used for irrigation is greater in the West, ground water supplies a larger percentage of irrigation water use in the East.

In 1988, about 44 percent of the West's irrigated cropland was served exclusively by well water, about 36 percent exclusively by surface water, and about 20 percent by well and surface water combined.

Declining water tables can translate into higher pumping costs for farmers and other users.

Ground water is usually drawn from deep aquifers that cannot be exhausted by several dry years. Nevertheless, extended periods of low precipitation or soil moisture can increase the need to pump ground water for irrigation and other purposes, raising production costs and further depleting aquifers.

According to U.S. Department of Commerce estimates, the Southern Pacific region—California—used the most ground water for irrigation in 1988, about 10 million acre-feet. (An acre-foot is about 326,000 gallons, enough to cover a 1-acre field with water 1 foot deep.) The Northern Plains, Southern Mountain, and Delta States pumped about 9.0, 5.2, and 4.9 million acre-feet, respectively.

In the arid West, ground water as a percentage of total irrigation water use was greatest in the Northern Plains (85 percent), followed by the Southern Plains (69 percent) and Southern Pacific (43 percent).

Of the roughly 346,000 active irrigation wells in the United States in 1988, about 263,000—76 percent—are located in the West. Depth to water in pumped wells averaged 84 feet in the 17 Western States, compared with an average of 42 feet in the East. However, depth to water figures vary considerably, from very shallow alluvial aquifers to deep aquifers in excess of 600 feet.

"Depth to water has a big impact on the cost of pumping water out," the economists note. "In general, the greater the depth to water, the higher the cost to pump it, and the more sensitive that cost is to fluctuating energy prices."

Power sources for pumping ground water include electricity, natural gas, liquefied petroleum gas, and other petroleum-based fuels. In the Western States, nearly 70 percent of irrigation pumps are driven by electricity, and 18 percent by natural gas. In the East, on the other hand, 46 percent of the pumps are petroleum powered, and 43 percent are electrically driven.

"These figures indicate that Eastern irrigators are more vulnerable to fluctuations in water costs caused by changes in the price of petroleum than their Western counterparts," Aillery and Gollehon explain. "Western irrigators, because of their reliance on electricity derived from low-cost hydroelectric and coal-fired power supplied under long-term contracts, experience less volatility in annual energy costs."

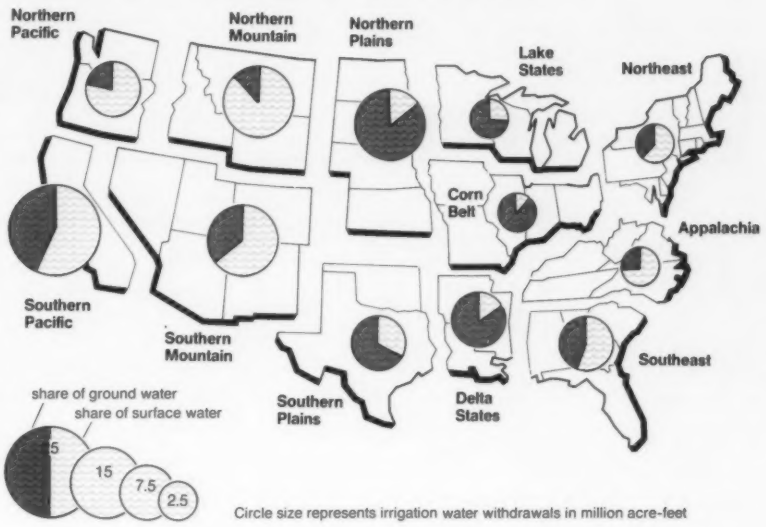
Longrun Quantity Concerns

Ground water *overdraft* occurs where withdrawals for irrigation and other uses exceed the rate at which the aquifer is replenished, causing a decline in the water table.

"Declining water tables translate into higher pumping costs, which are borne by farmers and other users," the economists explain. In addition, lower well yields can lengthen the time needed to draw out a given quantity of water, and consequently raise labor and equipment costs.

Other potential effects of overdraft include land subsidence, saltwater intrusion, lower

The Amount of Ground Water Used for Irrigation Is Greater in the West, Although It Supplies a Bigger Share In the East



Circle size represents irrigation water withdrawals in million acre-feet

surface water flows in interconnected ground and surface water systems, and early exhaustion of common-property ground water reserves that can be tapped economically. (Common-property reserves are those that are not owned by anyone but may be used by everyone.)

"Overdraft generally occurs where a large area of irrigated acreage depends heavily on ground water, as in the Southern Plains, Mountain, and Southern Pacific regions," Aillery and Gollehon observe. Ground water use is regulated by State laws and local district provisions, although the degree of effective control varies considerably across States.

They point out that many States have instituted ground water management programs to curb declines through technical assistance for improved water management, incentives to adopt water conserving technologies and, in some cases, limits on the spacing of wells and water withdrawals. While the Federal Government exercises considerable influence on surface water management in the West, it has a relatively limited role in ground water supply management.

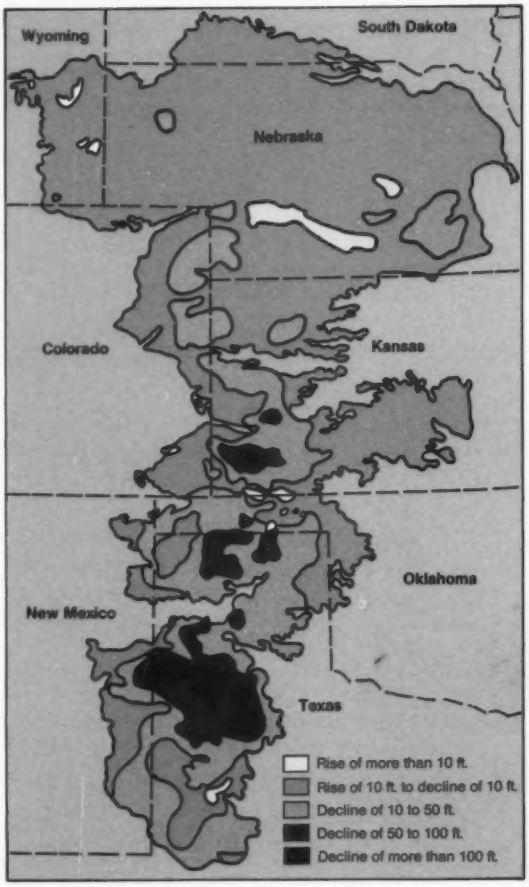
More Competition, Increased Management

Although the drought will likely have only limited effects on most Western ground water reserves, Gollehon and Aillery say, extended drought conditions do contribute to accelerated rates of overdraft. "Low precipitation can reduce the rate of natural recharge in relatively shallow, unconfined aquifers," they explain. "At the same time, pumping rates are often increased to meet greater water demands and to compensate for reduced surface water supplies." It is estimated that overdraft in the San Joaquin Valley basins has reached 11 million acre-feet.

As some parts of the West enter their fourth and fifth years of drought, the economists anticipate that competition for water will become more commonplace in agriculture and in other sectors.

This growing competition—combined with limited opportunities for future construction of large dams and reservoirs to collect and store surface water—is putting further pressure on Western water supplies. Consequently, satisfying the region's rising water demands will depend on the continued use of ground water as well as reallocation of existing surface water supplies. "Farmers do not necessarily retain rights to water savings," the economists say, "so there has been little financial incentive to conserve water for other purposes, such as maintaining aquifers for future use."

Water Levels in Many Parts of the High Plains Aquifer Have Declined From Predevelopment Levels*



*Circa 1930.
Source: U.S. Geological Survey.

The High Plains Aquifer: An Important Water Source

An aquifer is a permeable material that retains ground water. The most effective aquifers are unconsolidated sand and gravel, sandstone, and certain types of limestone. Fractured zones of some of the denser rocks, such as granite and basalt, also act as aquifers. Clay and shale, on the other hand, tend to be poor aquifers.

The High Plains Aquifer—sometimes referred to as the Ogallala Aquifer—contains some 3.25 billion acre-feet of water. It has an average thickness of about 200 feet, though the thickness differs substantially from one location to another. The aquifer is very thick in north-central Nebraska, but thins out toward the south and around the edges.

"Water levels have declined over most of this aquifer due to agricultural and other uses," explain ERS economists Noel Gollehon and Marcel Aillery. Long-term declines have been particularly significant in the southern part, where a large area of the aquifer underlying the Texas Panhandle has declined more than 100 feet from predevelopment levels (around 1930). In some areas where the aquifer was thin to begin with, the water supplies that can be economically withdrawn have been exhausted.

In response to decreasing levels, most States in the High Plains have set up ground water management districts to curb the declines through public education, improved technologies and, in some cases, limits on well placements and withdrawals.

Reports from three sites monitoring ground water levels—the Upper Big Blue Natural Resources District in Nebraska, the Southwestern Kansas Groundwater Management District No. 3, and the High Plains Underground Water Conservation District No. 1 in Texas—indicate that although ground water was removed from these areas during the 1980's, removal rates had slowed from previous decades.

The Upper Big Blue District began the 1980's with an annual rate of decline of 5.5 feet per year. The rate then slowed over most of the decade, and reached a 2-foot net recharge in 1987 before decreasing again. The Southwestern Kansas District reported a more erratic decline path for the decade, but the average ground water level did not increase in this part of Kansas. The High Plains District reported a rise in 2 years but a decline in all other years in the decade.

"Several factors contributed to the slowing in annual declines," the economists explain. "Many areas, especially Texas and Nebraska, had above-average snow and rainfall during the mid-1980's. The higher precipitation lessened the need to irrigate crops and also increased the rate of aquifer recharge."

In addition, Government programs having high set-aside requirements trimmed the number of acres farmers planted and irrigated. And relatively stable output prices reduced the amount of water that could be economically applied to an acre.

Improved technologies that reduce the amount of water that is wasted and lower the variable costs of producers have also slowed annual rates of decline. "But the one factor that probably had the greatest impact," Aillery and Gollehon point out, "is the public's growing awareness of the limits of the High Plains Aquifer.

Savings on pumping costs currently provide western irrigators with one incentive to conserve ground water. Water-conserving technologies reduce the amount of water that needs to be pumped. In addition, pressure-reducing technologies require less power to extract the same amount of water. Both types of technology trim irrigators' annual cash expenses. ■

Based on information provided by economists Noel Gollehon and Marcel Aillery, Resources and Technology Division, Economic Research Service. To find out more about water supplies, cropland, and conservation, order the September 1991 *Agricultural Resources Situation and Outlook* report by calling 1-800-999-6779.

Japanese Seeking Market Niches In U.S. and At Home

Japanese investment in American agriculture and agribusiness increased rapidly in recent years simply because it made good business sense: With the yen soaring in value against the U.S. dollar, Japanese investors were able to buy more business for the buck (so to speak) outside Japan.

Moreover, the elimination of import quotas on American beef and oranges under the U.S.-Japan Beef and Citrus Agreement—carried out this year—made it more attractive to buy or invest in businesses that would sell to Japanese consumers.

Much as they would approach any foreign market, then, Japanese companies are positioning themselves through some American investments to compete in a more open market—Japan.

That's the assessment of Ryuhei Matsumoto, a visiting economist with USDA's Economic Research Service. Matsumoto, a participant in a U.S.-Japan exchange program, spent some of his time traveling in the United States to study Japanese investment in American agriculture and agribusiness.

Matsumoto discovered—by his visits to Japanese companies in the United States and by his intensive study of statistics relating to Japanese investment in American farmland and food processing—that the Japanese presence is fairly modest.

The Media's View

"News stories in the media have highlighted the purchase of U.S. companies and agricultural land by Japanese investors," says Matsumoto. "However, as far as I have been able to determine, Japanese investment in the U.S. agricultural sector is quite small, and the impacts on the U.S. economy as a whole and on trade are also small."

Japanese investment in U.S. farmland totals about $1 billion—with several billion dollars more invested in food processing and other agribusiness enterprises—but other foreign countries have even larger holdings. And, as a percentage of total investment in the agriculture-agribusiness sector, Japanese investment is less than 1 percent. Still, Japan is among the top 10 in foreign holdings of American farmland—and, in terms of value, one-tenth of foreign-owned U.S. farmland is held by Japanese investors.

Many Japanese investing in the United States are not as practiced—or as confident — as other foreigners.

Matsumoto says he also found that many Japanese investors are not as practiced—or confident—as other foreign investors who also work in the American business environment.

"Japanese investors are still novices compared with other non-American investors in agribusiness, partly because of Japan's more recent involvement in this area of the U.S. economy," he says.

Although Japanese food companies would like to increase their investment in the United States, they are encountering some difficulties.

The problems here are connected, but can be divided into domestic and international. Any Japanese company investing in the United States would of course have to adapt to the U.S. business environment. But food processing firms face a special difficulty, Matsumoto maintains.

He says such companies must have a precise sense of what satisfies their customers—not only in terms of taste but also in broader lifestyle considerations of variety and convenience. Japanese food companies, he adds, also have the responsibility (if they want to remain competitive) to develop new consumer tastes and lead in lifestyle changes by offering innovative items that offer greater variety or convenience, for instance.

Steady Effort Needed

"Because there are large differences in eating habits and expectations for food between Japanese and Americans," says Matsumoto, "long and steady effort may be necessary for Japanese food companies to be successful in the U.S. market."

Ryuhei Matsumoto, visiting economist from Japan's Ministry of Agriculture and Fisheries

Japanese Economist Studies His Nation's U.S. Investments

Ryuhei Matsumoto was only in the United States a few months, but found enough information in his travels and studies here to fill a book. And that's exactly what Matsumoto—a visiting economist with USDA's Economic Research Service (ERS)—plans to do back in Japan.

The first thing Matsumoto discovered, on his arrival in the United States earlier this year, is that Japanese investment and involvement in the U.S. agribusiness sector is outstripping the efforts of the Japanese Government to keep track of it.

In fact, Matsumoto says, the U.S. Government—in the form of USDA and ERS—has a far better statistical sense of the scope of that Japanese presence here.

"In Japan, there's no complete book of information on Japanese agricultural investment in the United States," Matsumoto says. "I would like to write such a book."

Although Matsumoto didn't know his findings would take on the dimensions of a full-length book, he was interested in this issue long before he came to the United States. And what made it possible for him to pursue his interest was a Japanese Government exchange program that annually sends officials to work, for a short period, in government offices of foreign countries. All expenses, and the employees' regular salaries, are paid by the Japanese Government.

Because of his background (as an agricultural economist with Japan's Ministry of Agriculture and Fisheries) and keen desire to study Japanese investment in U.S. agriculture and agribusiness, Matsumoto was assigned to ERS. So the agency got a free temporary employee who could provide valuable insights and information on Japan, and Matsumoto got a chance to follow up on his interest.

He began by studying the stores of statistical information available on Japanese investment in U.S. agriculture. Much of this data is derived from the reporting requirements imposed on foreign investors in the United States, who each year must specify the location, type, and value of their holdings in this country.

And then Matsumoto was off to do perhaps the most important part of his work—visiting Japanese businesses in the U.S. agribusiness sector to see how they are faring. Although far from fragile, Japanese companies in this country are still tentatively developing their products and markets, at least in agribusiness, Matsumoto found. There are exceptions, though, including large, well-established companies such as Kikkoman, Nissin, and Kirin Brewers.

He also discovered that most Japanese agribusiness enterprises in the United States are relatively small, compared with their U.S. counterparts, and that their sales—particularly in the case of fruit and nut orchards—are frequently split between the U.S. and Japanese markets. (In some communities, of course, Japanese enterprises may play an important role in the local economy, and they are frequently part of large multinational corporations.)

He also found a prevailing opinion among the Japanese businessmen he interviewed in the United States: that Japanese investment in U.S. agribusiness will never parallel (on a proportionate basis) the far greater investment in the U.S. industrial sector.

It's no exaggeration, Matsumoto notes, to say that Japanese entrepreneurs are more certain of the marketability and quality of their automobiles and electronic merchandise goods than they are, say, of the frozen Mexican dinners that they are also now producing in the United States.

On the international side, a Japanese food company in the United States that targets the Japanese market also faces problems.

Simply sending an American-made food product to the Japanese market doesn't work, Matsumoto says. Japanese have different tastes, even for something as uncomplicated as a beef steak.

But American entrepreneurs appear to be making some progress in changing traditional tastes, given the marked success that American fast food chains featuring hamburgers and french fries have had in Japan.

Overall, Japan is the largest export market for U.S. agricultural products, buying more than $8 billion worth in fiscal year 1990.

Even so, the most lucrative market—for premium beef cuts—is still dominated by the kind of highly marbled beef that American firms normally don't produce any

more. Japanese cattle producers take great care in raising animals, feeding them more than twice as long as American cattle are fed before slaughter. Some 3 to 5 percent of Japanese cattle are fed a special diet that can include such surprising items as Japanese beer and are given "massages" (applied with brushes). The reason for all this attention is easy to understand: Retail cuts of the best beef can sell for $50 or more a pound in Japan.

Some Japanese companies are now competing in this premium-cut market from American-based feedlots and plants. With facilities located in 10 States (but concentrated in Montana and California), several meat processors are shipping Japanese-style beef back to Japan.

Matsumoto says that these shipments of premium beef are chilled, not frozen, and air-freighted to meet Japanese consumer demands for taste and freshness. "Top-quality beef is consumed by business people entertaining clients in expensive restaurants," the economist explains.

An Eager Market

At the same time, Japanese meat processors here have an eager market closer to home: the large, and growing, number of Japanese restaurants in the United States. Many of these top-of-the-line restaurants specialize in the tender, highly marbled beef dishes that are a trademark of their counterparts in Japan.

But the Japanese market—for beef and other food products—has its limits. On average, according to official figures, the Japanese diet contains only about 2,500 calories a day—far fewer than that of Americans and many other peoples around the world—and has been at that level for the last few decades.

That means greater consumption of beef comes at the expense of rice or other items on the Japanese menu. And it suggests why it is difficult for Japanese food companies to increase their production for just the Japanese market.

The limited domestic market helps explain why Japanese food companies have sought to enter the American market in order to sell food specifically to Americans—and why these firms hope that more Americans will acquire a taste for pricey, Japanese-style beef produced right here in the United States. ■

Based primarily on information provided by visiting economist Ryuhei Matsumoto, Agriculture and Trade Analysis Division, Economic Research Service. Matsumoto is with Japan's Ministry of Agriculture and Fisheries.

Matsumoto conferring with Christine Bolling and William Coyle of USDA's Economic Research Service.

Cash Receipts from Farm Marketings: State Estimates for 1990

1990 Cash Receipts from Crops

All figures in millions (000,000)

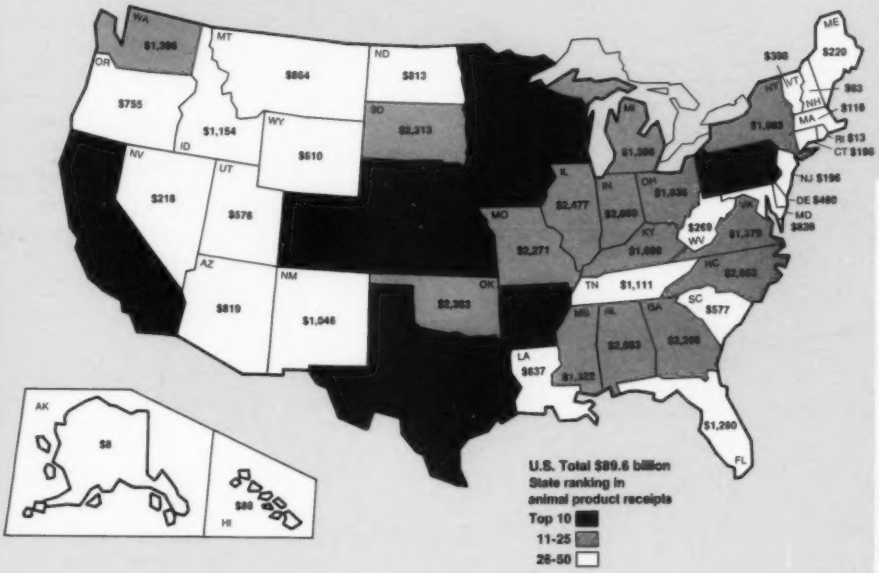
Top 10 States in 1990 Receipts from Crops[1]

	1988	1989	1990
	$ million		
California	11,998	12,857	13,344
Illinois	4,027	4,727	5,641
Florida	4,689	5,031	4,448
Iowa	3,744	3,755	4,437
Texas	3,715	4,063	4,268
Minnesota	2,738	2,820	3,253
Indiana	2,293	2,456	2,871
Nebraska	2,412	3,080	2,808
Washington	2,207	2,457	2,420
Ohio	2,001	2,088	2,335

[1]Includes receipts from commodities placed under CCC loans minus value of redemptions.

1990 Cash Receipts from Livestock, Dairy, and Poultry

All figures in millions (000,000)



Top Ten States in 1990 Receipts from Animal Products

	1988	1989	1990
	$ million		
Texas	6,629	6,861	7,712
Nebraska	5,390	5,646	6,037
Iowa	5,048	5,293	5,882
California	4,682	5,193	5,515
Kansas	4,311	4,416	4,896
Wisconsin	4,215	4,350	4,581
Minnesota	3,490	3,693	3,758
Colorado	2,666	2,649	3,029
Pennsylvania	2,337	2,611	2,714
Arkansas	2,304	2,661	2,706

All data subject to revision. Data were provided by economist Bob Williams of the Agriculture and Rural Economy Division, Economic Research Service.

U.S. Cotton Has Made A Comeback

"Consumer preference for natural fibers has taken off since the mid-1980's."

Last year, the value of the U.S. cotton crop soared to more than $5 billion in receipts to growers—its highest level in U.S. history. Nearly 15.5 million bales were produced, up 27 percent from 1989. Per-acre yields reached 634 pounds, and total area planted was almost 12.35 million acres.

Economist Robert Skinner of USDA's Economic Research Service attributes these increases mostly to a resurgence in the popularity of cotton as opposed to synthetic fibers.

In 1990 Americans used about 23 pounds of cotton per capita, compared with about 42 pounds of manmade fibers, 3 pounds each of silk and flax, and 1 pound of wool.

"Consumers' preference for natural fibers has taken off since the mid-1980's," Skinner says, "and cotton has made a comeback." He cited denim jeans as one of the heaviest uses of cotton. It takes about 2 pounds to make one pair, compared with about three-fourths of a pound to produce a typical business shirt or a bath towel.

Craig Shackelford, assistant chief of research and promotion in USDA's Agricultural Marketing Service, attributes the preference for cotton to "people trying to get back to traditional values." Jim Howell, senior market analyst of the National Cotton Council, a trade association, credits Americans' becoming more leisure oriented and demanding shorts and T-shirts, as well as preferring the casual to the "neat" look.

The increase in cotton production and value also results from higher prices, advances in State and Federal boll weevil eradication programs, and government policies that have helped farmers.

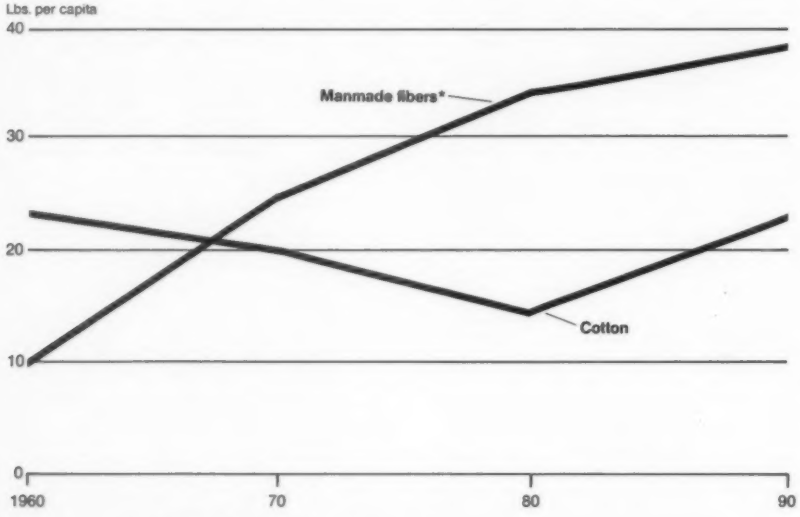
Cotton was the most profitable crop in the South in the decades immediately before the Civil War and remained "king" until the late 1930's. Production peaked at 18.9 million bales in 1937. Soon afterward, such pressures as high production costs and competition from manmade fibers forced a decline.

Production decreased again in the 1960's and 1970's, and moved from the Southeast into Texas as farmers switched to the profitable soybean. But when demand for cotton rose, producers began planting areas in the Southeast again.

Cotton is grown in 17 States, from Virginia to California. Most of it is produced in the delta area of Mississippi, Louisiana, and Arkansas; the plains of Texas; central Arizona; and the San Joaquin Valley in California.

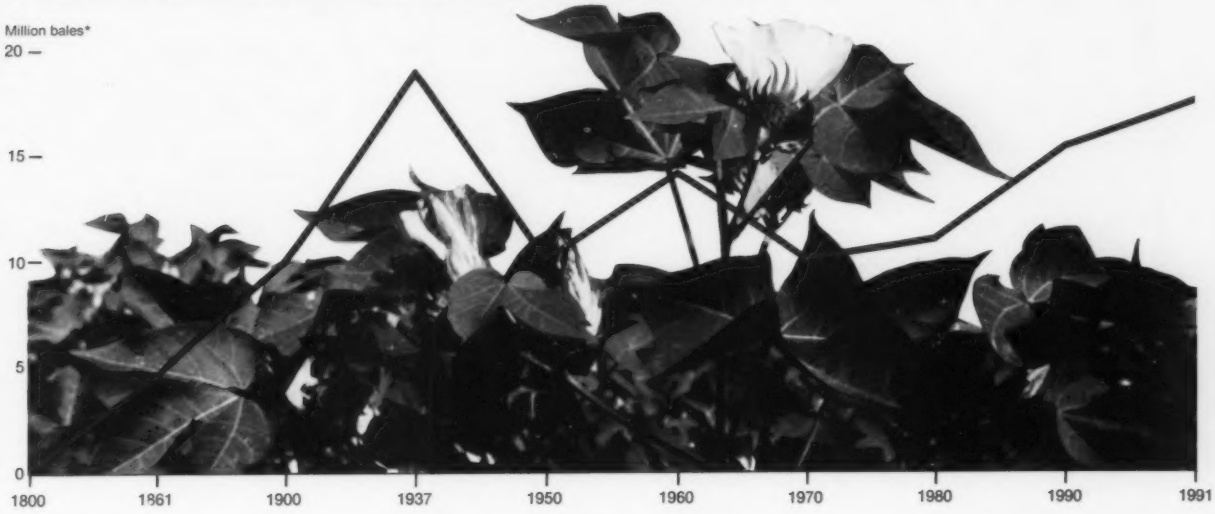
Upland cotton, the type most frequently grown worldwide, accounts for 98 percent of the U.S. crop. Extra-long staple (ELS) cotton, also known as American Pima, is

Cotton's Popularity Is On the Rise



*Manmade fibers include polyester, rayon, nylon, and acetate.

In 1991, Cotton Production Is Expected To Reach Highest Level Since 1937



1991 estimated.
*A bale is 480 pounds.

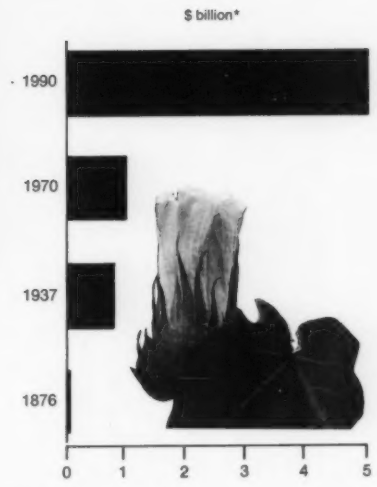
produced mainly in limited areas of southwest Texas, New Mexico, Arizona, and California.

Distinguishable from upland cotton by its long fibers as well as its luster and feel, ELS cotton has become the "star" of U.S. agricultural exports. Skinner explains that strong demand for its high-value uses (such as sewing thread and expensive apparel items), as well as the tight supply among world exports, has led to increased production.

"The long-term outlook for cotton is quite favorable," says Skinner. "The United States has the potential to produce 20 million bales by the year 2000—10 million for export and 10 million for domestic needs." ■

Based primarily on information supplied by economist Robert Skinner, Commodity Economics Division, Economic Research Service.

The Value of the Cotton Crop Has Increased Substantially Over Time



*Not adjusted for inflation.

Foreign Ownership of U.S. Farmland Fairly Constant Through the 1980's

Contrary to popular perceptions, foreigners are not buying up all of America's farmland, according to attorney Peter DeBraal of USDA's Economic Research Service. The amount of cropland, pasture, and rangeland owned exclusively by foreigners is about 3 to 4 million acres.

DeBraal analyzes reports submitted by foreigners to USDA under the Agricultural Foreign Investment Disclosure Act of 1978 (see advertisement on reporting requirements, p. 16) and reports those findings each year to the President and Congress. The data gained from these disclosures have been used in reporting the effects of such holdings on family farms and rural communities.

Foreign interests owned 14.5 million acres, or slightly over 1 percent, of privately owned U.S. agricultural land (farm and forest land) on December 31, 1990. That's up 15 percent (1.88 million acres) from the previous year.

However, that rise is not too alarming, according to DeBraal, since foreign ownership has remained relatively steady from 1981 to 1990, at slightly above or below 1 percent of all the privately owned agricultural land in the United States.

And the totals reported may be overstating the extent of foreign ownership. DeBraal points out that about 62 percent of the reported foreign holdings (about 9 million acres) is land actually owned by U.S. firms. But the law requires them to register their landholdings as foreign if as little as 10 percent of their stock is held by foreign investors.

Only the remaining 38 percent of the foreign-held agricultural land (about 5.5 million acres) is owned almost exclusively by investors not affiliated with U.S. firms.

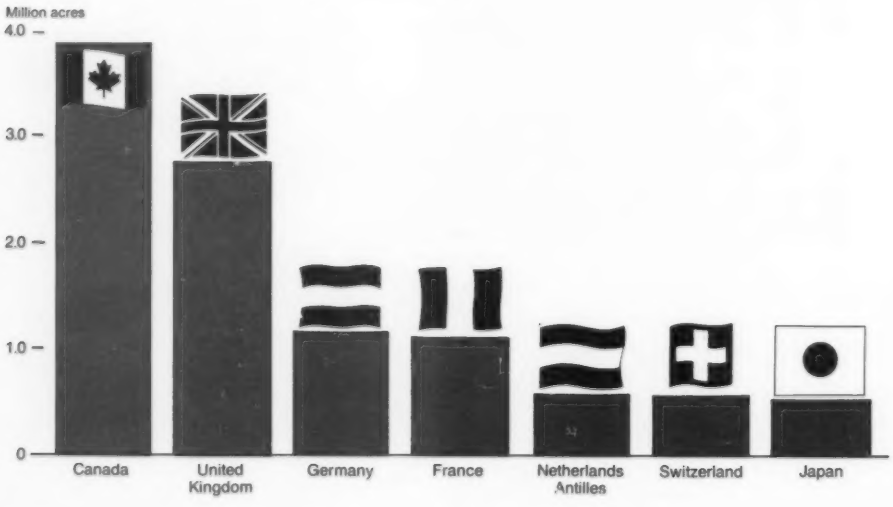
DeBraal found that corporations, both U.S. and foreign, own most (83 percent) of the foreign-held agricultural land in the United States. Partnerships own 9 percent and individuals own 6 percent. The remaining 2 percent is held by estates, trusts, associations, institutions, and others.

DeBraal stipulates that because of the corporate holdings, an increase in foreign ownership from one year to another does not necessarily represent land newly acquired by foreigners. "Nor do the numbers necessarily represent exclusive ownership by foreigners," he says. "A U.S. firm's landholdings can show up as 'foreign owned' one year, but not in another, as the firm's stock passes in and out of foreign hands. The land, however, is still owned by the same entity as before."

DeBraal's analysis also reveals:

- Forest land accounts for half of all foreign-owned acreage; cropland, 17 percent; pasture and other agricultural land, 30 percent; and agricultural land not under cultivation, 3 percent.
- Investors from Japan (individuals, corporations, partnerships, and others) own 4 percent of all foreign-held acreage. Investors from Canada own the largest share of the foreign total (27 percent, or 3.9 million acres) followed by investors from the United

The Top Seven Holders of U.S. Agricultural Land



As of December 31, 1990.

State Regulations on Foreign Ownership Vary

At the national level, foreign ownership of U.S. agricultural land has hovered around 1 percent over the last decade. But in some States, the level of privately owned agricultural land held by foreign interests may be affecting local areas.

"There are laws on the books protecting U.S. farmland from further foreign investment," according to University of Nebraska attorney David Aiken, who monitors State laws relating to the ownership of land by aliens and business entities.

"But the laws vary widely among States in the degree of severity," Aiken points out. Some States have reporting requirements, others restrict holdings, and still others do both.

Some 28 States have some type of law restricting alien ownership. According to Aiken, nine require aliens to report landholdings.

Some States, such as Idaho, California, Montana, Nevada, and Oregon, merely restrict the acquisition of State-owned lands by aliens.

Others, such as Illinois and Indiana, restrict alien landownership only if the alien owner does not become a U.S. citizen within a specified time. Still others restrict ownership by nonresident aliens but permit ownership by resident aliens: Mississippi, Missouri, North Dakota, Oklahoma, Wisconsin. In Mississippi, for example, only citizens of Lebanon or Syria may acquire land, and then only through inheritance.

Some States restrict the acquisition of land generally, or agricultural land specifically. Indiana and certain other States, for example, restrict the amount of acreage that aliens may hold.

Some States, such as Georgia, Kentucky, Maryland, and Virginia, limit restrictions to aliens from so-called "enemy" nations, the definition of which varies among States.

Other States, such as Minnesota, prohibit alien ownership or acquisition of land outright. But they usually allow for exceptions.

Iowa has the strictest legislation, barring foreigners from acquiring agricultural land. Under Iowa law, an alien may acquire up to 320 acres of land, but only if it is used for nonagricultural purposes. Aliens may also acquire agricultural land in Iowa through inheritance or foreclosure, but they must divest themselves of their interest within 2 years.

Other States are not so strict. In South Carolina, for example, a foreign investor may acquire up to 500,000 acres of agricultural land.

"Historically, the regulation of landownership in the United States is the prerogative of individual States under the Tenth Amendment to the Constitution," says Aiken. "Consequently, information about such regulation must be obtained from each State." However, Aiken notes that there may be court decisions that affect these laws. And U.S. constitutional provisions or treaties may override the State laws restricting alien investment.

Kingdom (19 percent, or 2.8 million acres), Germany (8 percent, or 1.2 million acres), France (8 percent, or 1.1 million acres), the Netherlands Antilles (4 percent, or almost 590,000 acres), and Switzerland (4 percent, or about 586,000 acres).

- Maine has by far the largest share of foreign-owned acreage, mostly forest land. Maine's foreign holdings represent about 21 percent of all the reported foreign-owned land across the Nation and 17 percent of all privately owned agricultural land in the State. Four large timber companies own 98 percent of the foreign-held acreage in the State. Two are Canadian, one is a U.S. company partially owned by Canadians, and one is a U.S. company partially owned by French investors.
- The rest of the foreign holdings are concentrated in the West (33 percent) and South (32 percent). Foreign holdings in these regions are mainly used for timber production, most notably in Oregon, Mississippi, Washington, Louisiana, and Alabama.
- Rhode Island is the only State with no reported foreign ownership of

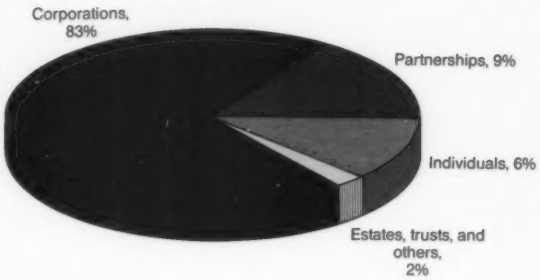
agricultural land. Except for Maine's 17 percent, most States reported only a small share of privately owned agricultural land held by foreign interests.

- Foreign owners do not appear to be taking agricultural land out of production. According to the owners' reports, 94 percent of the acreage will remain in agricultural use. They also reported no plans to change tenancy or rental arrangements on 48 percent of the acreage. Some change is planned on 25 percent of the acreage. No response was given to the question about future plans for the remaining 27 percent of the acreage. ■

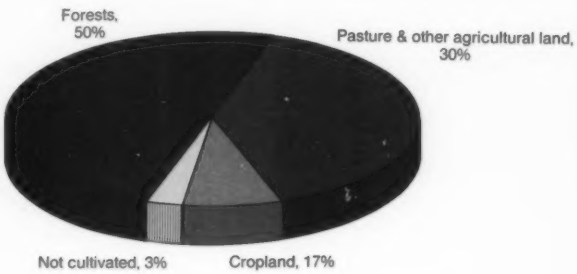
— Mary Maher

For more information on this topic, see *Foreign Ownership of U.S. Agricultural Land through December 31, 1990*, AGES-9120, by J. Peter DeBraal, Resources and Technology Division, Economic Research Service, 1991. Just call 1-800-999-6779 for your copy.

Most Foreign-Held Land Is Owned by Corporations. . .



. . .That Use the Land Primarily for Timber Production



Official Notice

United States Department of Agriculture
Agricultural Stabilization and Conservation Service

Foreign Investors Must Report Agricultural Land Ownership to the U.S. Department of Agriculture

Foreign investors who buy, sell, or hold an interest in U.S. agricultural land must report their holdings and transactions to the U.S. Secretary of Agriculture.

Who Must Report

- Foreign individuals.
- Foreign Organizations.
- Foreign Governments.
- U.S. Organizations—if a significant interest or substantial control is directly or indirectly held by foreign individuals, organizations or governments.

What Is Agricultural Land?

- Land used within the last 5 years for farming, ranching, forestry, or timber production of more than 10 acres in the aggregate.
- Landholding totaling 10 acres or less in the aggregate if producing annual gross receipts in excess of $1,000 from the sale of farm, ranch, forestry or timber production.

Where To Report

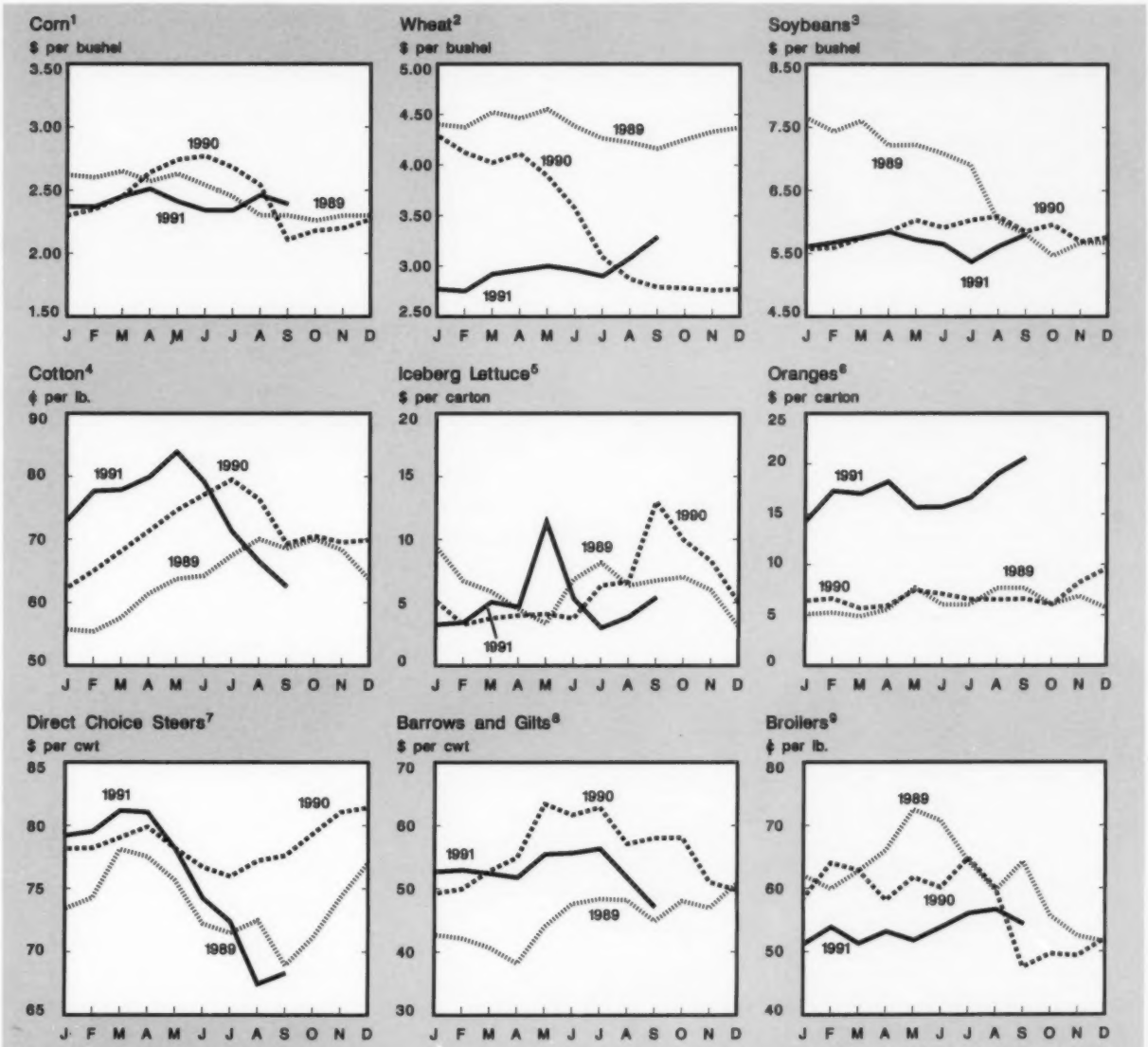
- Report to the county office of the Agricultural Stabilization and Conservation Service, USDA, in which the land is located. Attorneys, real estate brokers, farm managers, banks, holdings companies, and agents can report in behalf of foreign investors.

Failure to report could result in a fine of up to 25 percent of the property's fair market value.

FARMLINE TRENDS

Monthly Price Monitor

USDA's September 1991 inflation-adjusted index of farm prices, from the National Agricultural Statistics Service's Agricultural Prices report, was 0.7% below August and unchanged from a year earlier. Wholesale market prices follow. Corn slipped to $2.39 per bushel while wheat rose to $3.29, its highest point so far this year. Soybeans, at $5.81 per bushel, reached the second-highest level this year. Cotton declined to 62.5¢ per pound, its lowest point this year. Lettuce rose to $5.43 per carton. Oranges reached their highest average for the year at $20.65 per carton (the year-earlier average was only $6.60). In the meat animals area, direct choice steers at $68.31 per cwt gained some but did not recover from the nearly $5 loss in August. Barrows and gilts, at $47.09 per cwt, hit the lowest value since November 1989, and experienced the second loss of almost $5 in a 2-month period. Broilers came down to 54.4¢ per lb.



[1]No. 2 yellow, Central Illinois. [2]No. 1 HRW, Kansas City. [3]No. 1 yellow, Central Illinois. [4]SLM 1-1/16", spot market price. [5]Standard carton 24's, California-Arizona. [6]Central California, Standard carton. [7]Nebraska. [8]Omaha. [9]Wholesale, New York. All prices shown are monthly averages.

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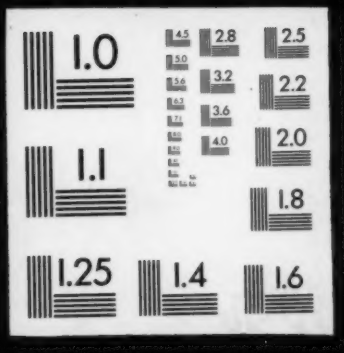
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